HUSKY annual report

1968

HUSKY

GENERAL OFFICE
815 Sixth Street S.W.
Calgary 2, Alberta, Canada

UNITED STATES OFFICES
Post Office Box 380
Cody, Wyoming 82414

4040 East Louisiana Avenue,
Denver, Colorado 80222

REFINERIES
Cheyenne, Wyoming
Cody, Wyoming
Farmington, New Mexico
Lloydminster, Alberta
Moose Jaw, Saskatchewan
Salt Lake City, Utah

DIVISION MARKETING OFFICES
Southern Region
Denver, Colorado
Omaha, Nebraska
Salt Lake City, Utah

Northern Region
Calgary, Alberta
Billings, Montana
Fort William, Ontario
Spokane, Washington

HUSKY BRIQUETTING, INC.
Post Office Box 380
Cody, Wyoming 82414

PLANT LOCATIONS
Dickinson, North Dakota
Huntsville, Ontario
Isanti, Minnesota
Waupaca, Wisconsin

GATE CITY STEEL CORPORATION
P.O. Box 14022,
Omaha, Nebraska 68114

DISTRICT OFFICES
Albuquerque, New Mexico
Boise, Idaho
Davenport, Iowa
Denver, Colorado
Idaho Falls, Idaho
Omaha, Nebraska
Pocatello, Idaho
Salt Lake City, Utah
Sterling, Illinois

RIMROCK TIDELANDS, INC.
3700 Greenway Plaza Drive,
Houston, Texas 77027

DISTRICT OFFICE
London, England

TRANSFER AGENTS AND REGISTRARS
Common Shares —
Montreal Trust Company
Offices at Calgary, Halifax, Montreal,
Regina, Saint John, Toronto,
Vancouver and Winnipeg
The Chase Manhattan Bank,
New York City

Preferred shares —
Montreal Trust Company
At Above Offices

AUDITORS
Peat, Marwick, Mitchell & Co.
Calgary, Alberta

ANNUAL MEETING

The Annual General Meeting of Shareholders of Husky Oil Ltd. will be held in the Palliser Hotel in Calgary, Alberta, at 10:00 a.m. on April 23, 1969. Formal notice of this meeting and proxy material are enclosed.

The Cover

Husky's Cody Refinery photographed at sunrise by Jack Richards of Cody.

Highlights of Operations

FINANCIAL	1968	1967
Gross operating revenues	$153,663,000	$ 90,197,000
Cash flow from operations	24,165,000	18,672,000
Net earnings	10,419,000	8,308,000
Per common share	$1.11	$1.01
Growth expenditures	36,103,000	39,811,000
Working capital at end of year	22,901,000	15,072,000
Long term debt and deferred credits at end of year	94,669,000	74,125,000

OPERATIONS		
Crude oil and equivalent gas production (barrels daily)	34,299	29,648
Net oil and equivalent gas and sulphur reserves (barrels)	284,200,000	257,900,000
Lloydminster blend sales (barrels daily)	18,212	16,505
Refinery runs (barrels daily)	45,802	20,248
Refined product sales (barrels daily)	48,662	21,750
Number of sales outlets	1,631	764

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Officers and Directors

OFFICERS

GLENN E. NIELSON
Chairman of the Board

GENE E. ROARK
President

ARNOLD LARSEN
Executive Vice President

A. B. HERSBERGER
Executive Vice President

T. G. WISE
Executive Vice President

H. B. BRUMMOND
Vice President

M. D. ENSIGN
Vice President

D. R. HAGERMAN
Vice President
Treasurer

J. H. MANNING
Vice President

R. M. McMANIS
Vice President

J. E. NIELSON
Vice President

M. F. WESTFALL
Vice President

D. H. FLORA
Secretary

L. E. SAUNDERS
Controller

S. L. CATE
President, Gate City Steel Corporation

DICK A. RUNDLE
President, Rimrock Tidelands, Inc.

BOARD OF DIRECTORS

GLENN E. NIELSON
Cody, Wyoming
Chairman of the Board
Husky Oil Ltd.

GENE E. ROARK
Calgary, Alberta
President, Husky Oil Ltd.

J. WADDY BULLION
Dallas, Texas
Partner, Law firm of Thompson, Knight,
Simmons and Bullion

J. W. GLANVILLE,
New York, New York,
Partner, Lehman Brothers

A. B. HERSBERGER
Denver, Colorado
Executive Vice President
Husky Oil Ltd.

ARNOLD LARSEN
Calgary, Alberta
Executive Vice President
Husky Oil Ltd.

J. K. McCAUSLAND
Toronto, Ontario
Vice President and a Director of
Wood, Gundy & Company Limited

F. R. MATTHEWS, Q.C.
Calgary, Alberta
Partner, Law firm of MacKimmie,
Matthews, Wood, Phillips & Smith

H. H. MILLAR
Edmonton, Alberta
President and a Director of Western
Construction and Lumber Co. Ltd.

P. R. PAYN
Baltimore, Ontario
Executive

WARD C. PITFIELD
Toronto, Ontario
President, Pitfield, Mackay, Ross
& Company Limited.

Glenn E. Nielson
Chairman of the Board

Gene E. Roark
President

To the Shareholders

Nineteen sixty-eight was another record year for Husky. All operating departments and subsidiaries increased in volume and profit. Integration of The Frontier Refining Company, acquired in 1968, was essentially completed, and we are now in a position to realize the benefits resulting from the consolidation of the companies. Additions made to Husky's management team during the year have given strength and depth to its organization and will contribute greatly to its ability to continue a strong growth pattern. The company remains unique in being the only independent integrated oil company in the United States or Canada with major operations and earnings in both of these two great sister countries.

Net earnings increased by 25 per cent, from $8.3-million in 1967 to $10.4-million in 1968. The departmental performance in production, refining and marketing, together with increased revenues from steel, briquetting and contract drilling operations, spiraled gross operating revenue from $90-million to over $153-million. The assets acquired from Frontier were responsible for most of this $63-million growth in gross operating revenue, but they have not yet contributed the net profit that is expected with full consolidation of our refining and marketing operations. However, Husky achieved a 10 per cent gain in net profit per share, increasing from $1.01 in 1967 to $1.11 in 1968 on an increased number of shares, with both years including special credits.

The production of crude oil and equivalent gas showed a healthy increase from 29,600 barrels per day in 1967 to 34,300 barrels per day in 1968.

The Lloydminster area continues to be Husky's most promising and important field of exploration and production. The company's

expansion program in the region not only added significantly to the proved and probable reserves, but also delineated vast new areas for development, the extent of which has exceeded all past expectations. The reserves of these new areas are not sufficiently confirmed to be reported at this time. In spite of the fact that the program has failed to confirm the possibilities of deeper production, the extent of the shallow producing horizons is indicated to be so great that there are many opportunities for still greater increase of the regional reserves and production. Since present producing practices are expected to result in a recovery of only 10 to 12 per cent of the oil in place, Husky is instituting several scientific projects designed to increase the percentage recovery of the known oil and improve the rate of production in Lloydminster.

Husky's confidence for the future of this area is evidenced by a new 10-inch pipeline, which will be built in 1969. In combination with our present pipelines, this will provide a capacity of 50,000 barrels per day to transport our blended crude to the Interprovincial pipeline.

The rapidly increasing reserve potential and rate of oil production in Lloydminster are making feasible for the company new operational prerogatives which hold a promise of substantially improving its earnings in future years.

In the Quirk Creek field, where the company has an interest in substantial gas reserves, the construction of a plant to extract liquids and sulphur, and deliver the dry gas to the transmission company, will start in 1969. This is expected to be on stream by mid-1970.

During the year, Husky substantially increased its land holdings in active exploration areas and in regions of oil and gas trends. Notably the company took a significant position in the North Slope of Alaska and in the Yukon. Also increased were its holdings in the more active areas of the prairie provinces in Canada and in the Bell Creek-Recluse area of Montana and Wyoming. With the additional land holdings in Canada and the United States, Husky expects a high level of exploration effort in the coming year.

There have been eight wells drilled on the leases in which the company holds an interest in the Santa Barbara Channel, offshore California. Oil zones which have been penetrated are currently being evaluated to determine the economics of development but may be marginal at this time. A deep well on the north lease block has been approved, but drilling activities in the Channel have been suspended temporarily by governmental action.

Reflecting its broad interest in all energy fields, Husky acquired two mining permits in the Wollaston Lake uranium play in Saskatchewan. In addition, the company is a partner in the Del Norte mining venture, which is prospecting for hard rock mineral deposits in British Columbia.

We are sufficiently encouraged by the progress being made in this mining venture to participate in a core drilling program this summer.

Two additions to the management of the company will greatly enhance our capabilities. Dr. Arthur B. Hersberger, formerly Senior Vice President for Refining and Marketing with Atlantic Richfield Company, was appointed Executive Vice President of Husky in the same capacities. Mr. James H. Manning was appointed Vice President for Exploration; he was formerly affiliated with British American Oil Company Limited as Manager of the Northern Exploration Division. Two Executive Vice Presidents of the company, Mr. Arnold Larsen and Dr. Hersberger, were elected to the Board of Directors.

We are pleased to announce the appointment of James W. Glanville to our Board of Directors. Mr. Glanville is a partner of Lehman Brothers of New York City and has had 25 years of experience in the oil industry and in banking.

Husky is attentive to the major discoveries in Alaska and to the intensified interest of the industry in the Arctic regions. Further confirmation of the vast potential of these regions will undoubtedly lead to a change in the entire North American supply pattern. These developments serve to emphasize the historical position taken by Husky that a Continental Oil Policy between the United States and Canada is urgent and necessary for proper exploitation of the energy resources of the two countries.

Husky expresses appreciation to its management and employees for their valuable contributions in the past year. No organization can grow and expand faster than its personnel. To the shareholders, we express confidence and enthusiasm for the future.

On behalf of the Board

Glenn E. Nielson

GLENN E. NIELSON
Chairman of the Board

Gene E. Roark

GENE E. ROARK
President

Calgary, Alberta, 1969

Review of Operations

Exploration

The exploration program conducted by Husky in the Lloydminster Project Area during 1968 was exceptionally successful in establishing new reserves and in extending the region of known oil sands.

Twenty-five exploratory wells and 73 stratigraphic tests, drilled to the shallow heavy oil sands during 1968, resulted in the discovery of 14 new oil fields or significant extensions to existing oil fields. The program now indicates a potential exploratory area encompassing 90 square miles, much of which is scheduled for confirmation in 1969. Although continuation of the deep test exploratory program did not result in any significant discoveries, the prolific character of the region in the shallow heavy oil sands appears to exceed all past estimates.

Of the 72 exploratory wells drilled by the company in 1968, 34 were drilled in the shallow and deep program in the Lloydminster Project Area. The remaining 38 exploratory wells, which the company either drilled or in which it participated in the United States and Canada, outside the Lloydminster area, resulted in eight completions.

The 1968 exploration program has resulted in a 20-million barrel addition to recoverable reserves, outside the Lloydminster area, plus a program of major land acquisitions that will permit aggressive exploration in subsequent years.

During the past year, substantial efforts strengthened Husky's land position. At the end of 1968, the company's exploratory acreage was 12,180,000 gross acres and 5,721,000 net acres, compared with 9,566,000 gross acres and 4,460,000 net acres at the close of 1967.

Outside Lloydminster, the most significant exploration plays were at Berland River and Pouce Coupe in Canada and in the Powder River Basin in the United States.

The company participated at Berland River in successfully bidding on a 12,320-acre drilling reservation. A seismic program covering the lands included in this drilling reservation has been completed and is in the process of review.

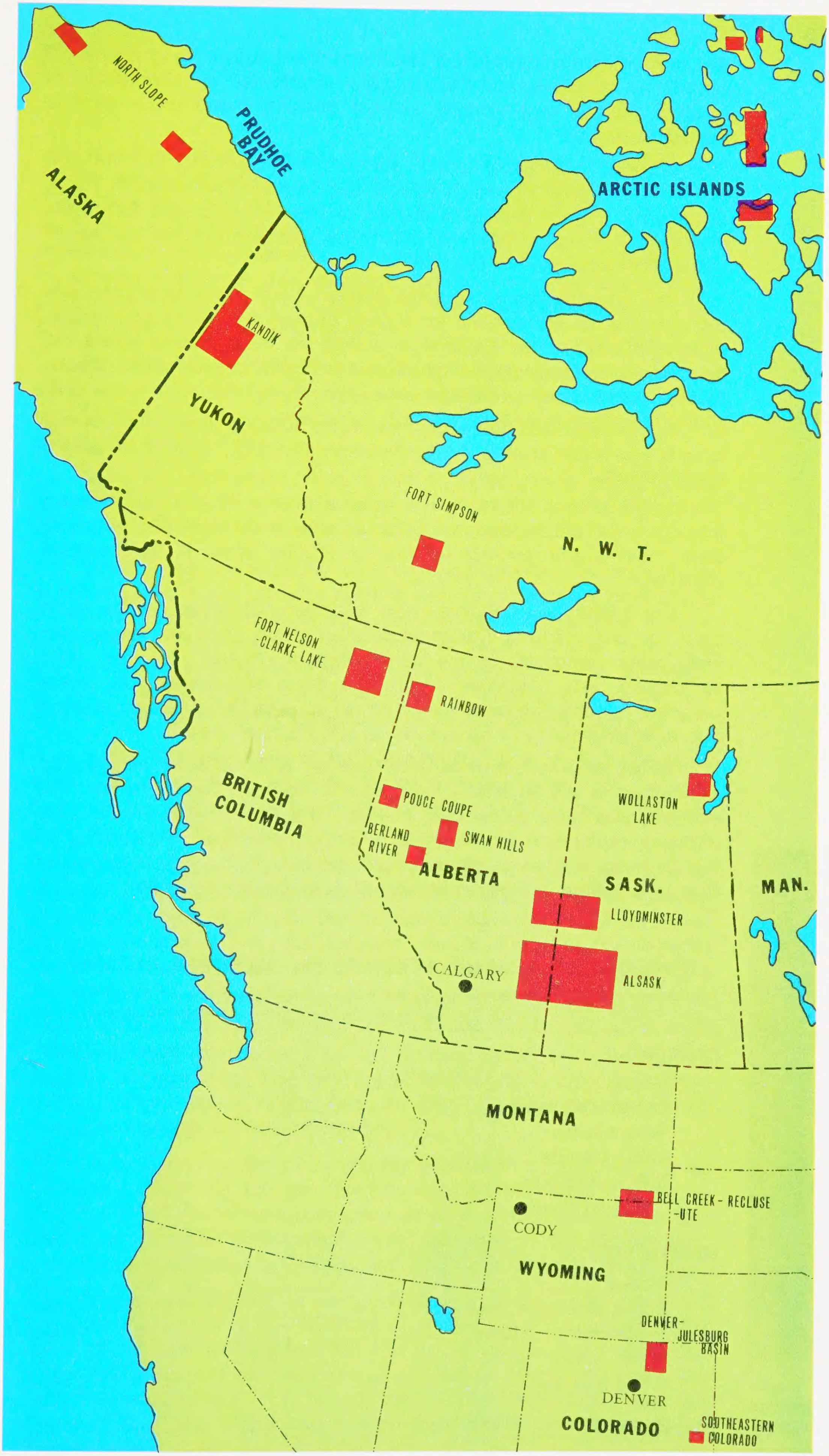
Under the continuing exploration program in 1969, Husky expects to participate in, or be exposed to, approximately 70 exploratory tests in addition to those in the Lloydminster area. The company is currently participating in exploratory wells in the Swan Hills and Rainbow areas of Alberta, the Fort Nelson-Clarke Lake area of British Columbia, and the Bell Creek-Recluse region of the Powder River Basin.

As a further result of the land program, Husky is participating in seismic surveys in the Fort Nelson-Clarke Lake region and in the Fort Simpson area of the southern Northwest Territories.

Significant land acquisitions were made in 1968 in the Alsask region of Saskatchewan and Alberta, where the company holds varying interests in about one-million acres. The company has a commitment from its partners in the venture to drill approximately 15 exploratory wells in the region during 1969, at no cost to Husky. Following the drilling of the earning wells, Husky will operate the project. An extensive seismic program is being conducted and results are encouraging.

Husky has entered into partnership agreements involving exploration in western Canada including the Northwest and Yukon Territories. Under these agreements, the company will support a one-third position

Typical of the company's far-reaching exploration program is this winter drilling scene in the Swan Hills area of Alberta.



SIGNIFICANT AREAS OF EXPLORATION ACTIVITIES

Areas indicated in red represent regions of interest but do not necessarily depict the exact extent and shape of the actual land holdings.

and the partners will support a two-thirds position in a commitment for exploratory purposes, and the company is afforded an opportunity to reach a 50 per cent working interest position based on a formula related to payout.

In 1968, Husky acquired a 50 per cent working interest in 2,500,000 acres in the Ogilvie Mountains-Kandik Basin area of the northern Yukon in Canada. Surface geological studies of this block, located 325 miles southeast of Prudhoe Bay and 250 miles southwest of the Mackenzie Delta, will be carried out in 1969.

The company has entered the Alaskan North Slope land play with the purchase of applications for federal oil and gas leases on approximately 230,000 acres. Exploration activity on these federal leases will be delayed pending determination of the rights of the native Aleuts, Eskimos and Indians in Alaskan lands.

Husky also holds interests in leases on 500,000 acres in the Arctic Islands which are farmed out to Panarctic Oils Ltd., subject to certain commitments.

In the United States, Husky also acquired a 25 per cent working interest in 230,000 acres in the Colorado portion of the Denver-Julesburg Basin, and a full working interest in 30,000 acres in southeastern Colorado.

One additional exploratory hole has been authorized on the north block of two offshore California federal leases held by Husky and eight other companies in the Santa Barbara Channel. To date, eight exploratory tests have been drilled on these two leases. The entire program, currently under study for economic potential, has been delayed due to a suspension of all activity in the Channel area.

Husky has two Crown permits covering 380,000 acres for uranium exploration in the Wollaston Lake area of northern Saskatchewan. The company also has a 30 per cent interest in the Del Norte Mining venture, involving exploration for minerals in British Columbia. Prospecting in the Del Norte venture during past years has been sufficiently encouraging that core drilling is planned at several locations during 1969.

Action on the rig floor, as Husky continues to hold the leading position in the number of wells drilled in Canada.

EXPLORATORY ACREAGE HOLDINGS ON DECEMBER 31, 1968

	(thousands of net acres)	
CANADA	**1968**	**1967**
Alberta	1,452	1,545
British Columbia	57	5
Saskatchewan	1,990	1,970
Arctic Islands	539	538
N.W.T. & Yukon	1,276	29
Total Canada	5,314	4,087
UNITED STATES		
Alaska	33	33
Rocky Mountain Area	318	244
Southwestern States	12	46
Other Areas	14	6
Total U.S.A.	377	329
NORTH SEA	30	44

Production

Husky achieved a record during 1968 with production of 34,300 barrels per day of oil and gas equivalent, a 16 per cent increase over 1967. This continues the rising production trend which has resulted in more than doubling production in the past four years. The increase is attributed to new discoveries, acquisitions and improved techniques in recovery processes. The company continues to enjoy the enviable position of having only 5 per cent of its total production limited by the current Alberta oil prorationing system.

The vast Lloydminster field of Alberta and Saskatchewan again in 1968 was a major source of production, accounting for almost one-third of the company's total. In that area, Husky's production reached 10,800 barrels per day in 1968.

Sales of Lloydminster blend, a mixture of the heavy, viscous crude and a diluent, showed a continuing gain, increasing from 16,500 barrels per day in 1967 to a 1968 total of 18,200 barrels per day.

Based upon expectations for continued increase in the volume of blend sales, a new 10-inch pipeline will be constructed from Lloydminster to the Interprovincial Pipe Line terminal at Hardisty, Alberta. Scheduled for completion in mid-summer of 1969, the line, paralleling the company's existing six and eight-inch lines, represents the major portion of a $5-million Lloydminster pipeline expansion program, and will increase blend carrying capacity to 50,000 barrels daily.

In the Aberfeldy Unit of the Lloydminster field certain polymers, which are chemicals to be added to the injection water, are expected to better the performance of waterfloods in recovering the viscous oil from the heavy oil sands.

In the Golden Lake field of the Lloydminster area, air injection has been started into the oil sand, which is the first step in the initiation of an in-situ combustion test. This process involves burning a portion of the oil in the ground. The heat produced, combined with the simultaneous injection of water, drives the oil in a more liquid state toward the producing well. If the test is successful, the process will greatly enhance the recovery of oil from the known reservoirs.

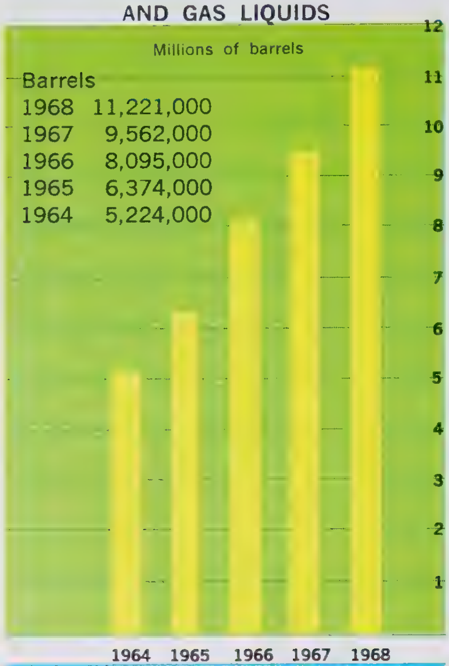
Continued waterflooding in the Oregon Basin of Wyoming has resulted in better than anticipated production rates. Expanded waterflooding operations in Husky fields in West Texas, New Mexico and Nebraska are also providing increased oil.

Husky again maintained the leading position in the number of wells drilled in Canada. Of 155 development wells drilled, or participated in, by the company, 127 were completed as oil producers and 10 for gas production. Of the development wells, 98 were in the Lloydminster area, 23 in other parts of Canada, and 34 in the United States.

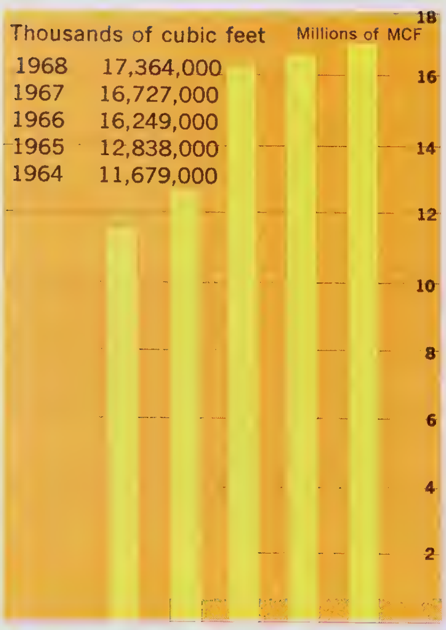
Development drilling is being continued in the important Quirk Creek sour gas field in the foothills of southern Alberta, where Husky has a 24 per cent working interest. Six gas wells have been completed in this field, one well has been abandoned and an eighth well was being drilled in early 1969. The liquids and sulphur extraction plant for the field is in the engineering design stage and is expected to go on stream in mid-1970.

Color brightens the scene on these storage tanks for the Lloydminster pipeline terminal.

NET PRODUCTION CRUDE OIL AND GAS LIQUIDS



NET PRODUCTION NATURAL GAS



NET OIL AND EQUIVALENT NATURAL GAS PRODUCTION

(thousands of barrels)

	1968	1967
CANADA:		
Alberta	2,756	2,687
Saskatchewan	967	904
Lloydminster	3,997	3,311
Other Areas	6	13
Total Canada	7,726	6,915
UNITED STATES:		
Colorado	499	462
Montana	391	29
New Mexico	728	682
Texas	453	452
Wyoming	2,292	2,028
Other Areas	257	72
Rimrock Tidelands	173	182
Total U.S.A.	4,793	3,907
Total	12,519	10,822

NET OIL AND GAS PRODUCTION

	Oil and Gas Liquids (thousands of barrels)		*Natural Gas (millions of cubic ft.)*	
	1968	1967	1968	1967
CANADA:				
Alberta	2,080	1,982	8,447	8,826
Saskatchewan	845	801	1,528	1,293
Lloydminster	3,958	3,265	488	568
Other Areas	—	—	78	159
Total Canada	6,883	6,048	10,541	10,846
UNITED STATES:				
Colorado	474	430	374	485
Montana	391	29	—	—
New Mexico	434	429	4,408	3,789
Texas	389	396	963	846
Wyoming	2,255	1,991	555	547
Other Areas	234	70	344	25
Rimrock Tidelands	161	169	179	189
Total U.S.A.	4,338	3,514	6,823	5,881
Total	11,221	9,562	17,364	16,727

SUMMARY OF WELLS DRILLED IN 1968

	Gross Wells				*Net Wells*			
	Oil	*Gas*	*Dry*	*Total*	*Oil*	*Gas*	*Dry*	*Total*
Exploratory Drilling	16	6	50	72	14.6	3.9	30.6	49.1
Development Drilling	127	10	18	155	95.9	2.3	11.5	109.7
Total Drilling	143	16	68	227	110.5	6.2	42.1	158.8

Husky completed seven development wells in the Bell Creek field of Montana in 1968, and studies are underway to initiate a secondary recovery program in the field. Six of the 1968 wells are oil producers, one is a gas well, and three were dry. Husky now has an interest in a total of 39 wells in this field.

In the Ute field of Wyoming, three producing wells, including the Husky-Depco discovery well, have been completed. The 1969 program has scheduled further development wells in this area.

NET RESERVES

Husky's net reserves of oil and equivalent gas and sulphur increased 10 per cent to 284-million barrels on December 31, 1968, compared with 258-million barrels on the same date in 1967. The proved category increased 9 per cent to 177-million barrels after production of 12.5-million barrels in 1968, and probable reserves rose to 45-million barrels, a 22 per cent increase over 1967.

NET RESERVES OF OIL AND EQUIVALENT NATURAL GAS AND SULPHUR
(millions of barrels)

Location	*Proved*	*Probable*	*Possible*	*Total*
Lloydminster	55.4	15.1	42.3	112.8
Other Canada	79.1	20.9	17.7	117.7
U.S.A.	42.2	9.0	2.5	53.7
TOTAL:	176.7	45.0	62.5	284.2

The sign of Husky service at Pigeon Mountain in the Canadian Rockies.

Refining and Marketing

Husky's refining throughput, marketing volumes and outlets more than doubled in 1968 as compared with 1967. The acquisition of The Frontier Refining Company and of Blackline Asphalt Sales, Inc., contributed substantially to these results.

Because of the delay in takeover of Frontier and the attendant costs of reorganization, the acquisition did not significantly contribute to the profits of the company in 1968. However, the absorption of Frontier was virtually completed by the end of 1968, so that the benefits of consolidation and resulting economies should be evidenced in the years to come.

REFINERY RUNS

(thousands of barrels)

Refinery:	1968	1967
Cheyenne, Wyoming	5,899	—
Cody, Wyoming	4,022	4,244
Farmington, New Mexico	334	—
Lloydminster, Alberta	2,178	2,057
Moose Jaw, Saskatchewan	1,082	1,090
Salt Lake City, Utah	3,203	—
	16,718	7,391

The Husky Oil Special, pictured above with driver Jack Lufkin, set new speed records up to 245 miles per hour during the famous Bonneville National Speed Trials in 1968. Husky's Frontier/Beeline brands are the official gasolines of these events.

The Frontier acquisition, plus normal growth, increased Husky's marketing outlet total to 1,631 in 1968, compared with 764 in 1967. Of the total, 1,223 outlets are located in the 18 Rocky Mountain and adjacent states of the United States and 408 are in five provinces of Canada.

Products in Canada are distributed under the Husky brand and in the United States are marketed under Husky, Frontier and Beeline brands.

Refinery throughput in 1968 was 45,800 barrels per day, compared with 20,200 barrels per day in 1967, reflecting the addition of three refineries. These units, added in the Frontier acquisition, are at Salt Lake City, Utah; Cheyenne, Wyoming, and Farmington, New Mexico.

Modifications to increase quantity are currently underway at the Salt Lake location, and are expected to be in operation by September, 1969.

Marketing and refining headquarters for the company were established at Denver in 1968 and light oil marketing was reorganized into two regions. The Southern region, headquartered at Denver, has division offices in that city, in Omaha, Nebraska; Salt Lake City, Utah, and Billings, Montana. The Northern region, headquartered in Calgary, includes divisions based at Calgary, Alberta; Fort William, Ontario, and Spokane, Washington.

Husky's Frontier and Beeline brands are the official gasolines of the famous Bonneville National Speed Trials, an internationally recognized event, held annually on the Bonneville Salt Flats of Utah. Since the

Artist's sketch of the self-propelled jack-up drill ship, the second of its kind to be built.

Architect's concept of the new office building in Lloydminster, designed to provide a consolidated headquarters for the Lloydminster area staff.

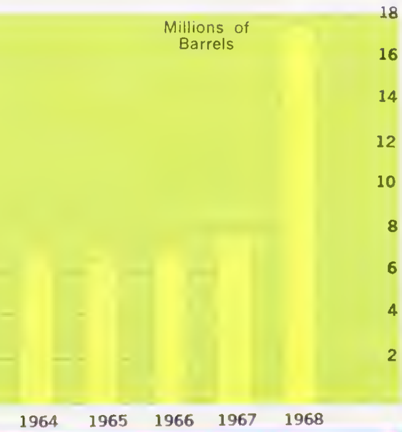
company first began supplying gasoline for the Trials, more speed records have been broken than at any other time in the event's 20-year history, backing up the marketing-advertising slogan, "The fastest gas in the West".

CONTRACT DRILLING

Earnings of Husky's offshore contract drilling subsidiaries were $1,260,000 in 1968, more than four times the 1967 earnings of $295,000. Most of the earnings increase resulted from new units in the North Sea. Working conditions for the three units in the Gulf of Mexico were satisfactory in the last half of 1968 and both Rig 14 and Gulftide operated on contract in the North Sea. Improvements in contracting conditions in the Gulf of Mexico have continued into 1969, and Gulftide will continue working on its three-year contract.

Construction of a new $12-million self-propelled jack-up drill ship, the second of its kind to be built, will begin this summer. This is expected to be completed by June, 1970. Conventional jack-up rigs are towed by tugs on all location moves. The new unit will be capable of travelling from seven to nine knots without the assistance of expensive tugs. It will have water depth capabilities of 300 feet.

		Barrels
REFINED	1968	17,762,000
	1967	7,939,000
PRODUCT	1966	7,053,000
	1965	6,678,000
SALES	1964	6,695,000



Arnold Larsen, executive vice president of Husky, assumed the duties of chairman of the board of Rimrock Tidelands early last year. Dick A. Rundle, formerly vice president in charge of North Sea operations, became president, and Edward J. Husemann was appointed executive vice president.

The executive offices of Rimrock were moved from Shreveport, Louisiana, to Houston, Texas, in 1968.

Gate City Steel

GATE CITY STEEL

Gate City Steel realized a record net profit of $1,500,000 in 1968, an increase of 41 per cent over 1967. Husky has an 89 per cent interest in the company.

Sales were reduced early in 1968 by the disposal of two of Gate City's less profitable operations. The change resulted in more unified operations, and the loss of sales was more than replaced in August when Gate City acquired three new service center locations at Salt Lake City, Utah; Albuquerque, New Mexico, and Idaho Falls, Idaho. These give the company increased coverage in the Rocky Mountain area.

Further company growth was accomplished through a program of new construction and additions to established locations. A completely new reinforcing bar fabricating and storage facility was completed at Sterling, Illinois; a new unit for the steel erection operation was opened at Pocatello, Idaho, and extensive additions were also made to the Davenport, Iowa, service center.

The Gate City Steel Service Center in Salt Lake City, Utah.

BRIQUETTING

Husky Briquetting, Inc., a wholly-owned subsidiary, produced a profit of $397,000 in 1968, a seven-fold increase over the 1967 profit of $50,000. A sales increase of 16 per cent, combined with relatively stable production costs, resulted in this significant improvement. Continued rise in tonnage sales and profitability is anticipated for this year.

Two moves were made to consolidate and increase the efficiency of operations. The plant at Bienfait, Saskatchewan, was sold in August, 1968, and arrangements have been made to assume full ownership of the plant at Huntsville, Ontario. This plant, in which Husky previously had a 50 per cent interest with another company, began operations last year and is in a strategic location to serve the increasing demand for barbecue briquets in Canadian and Northeastern U.S. markets. In addition to Huntsville, Husky Briquetting operates plants at Dickinson, North Dakota; Isanti, Minnesota, and Waupaca, Wisconsin.

To help offset the seasonal aspects of briquetting, a charcoal fireplace log has been developed and is being test marketed. Should results of these tests prove favorable, production and marketing of the new product could be set up in commercial volume for the 1969-1970 winter season.

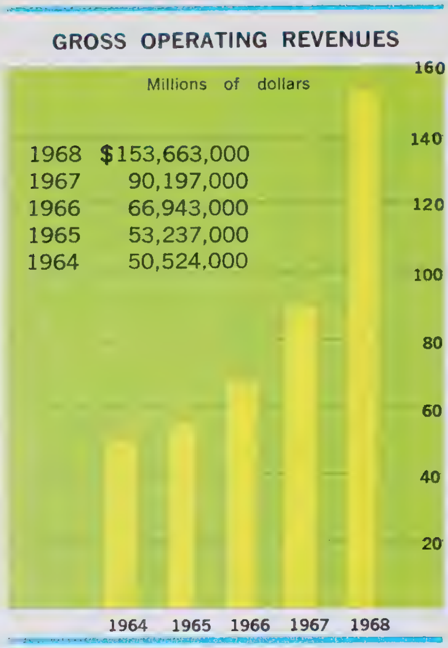
HUSKY TOWER

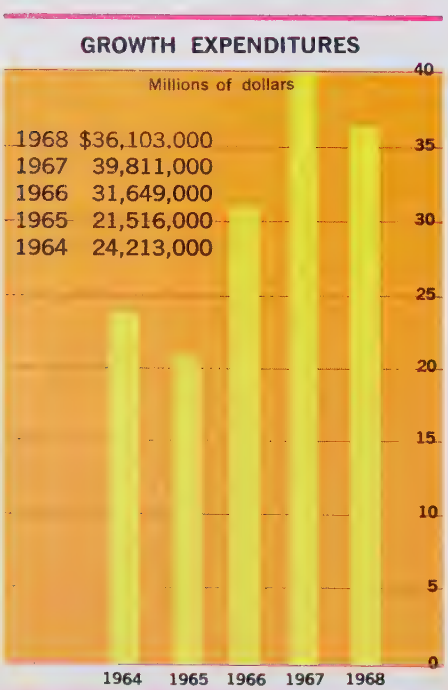
The 62-story Husky Tower was officially opened in Calgary on June 30, 1968 and has gained international publicity for the company.

In the first eight months of operation, approximately 355,000 persons, not including those on group tours, visited the Tower facilities, featuring a revolving restaurant, lounge and observation terrace.

A modern Husky Servicenter has been opened adjacent to the Tower in a mammoth parking structure. The Servicenter has been built to accommodate one of the heaviest traffic patterns forecast in the city's downtown redevelopment plans.

The 62-story Husky Tower dominates the moonlit Calgary skyline.





Financial

Husky's consolidated net earnings of $10,419,000 in 1968 represented an increase of 25 per cent over 1967's $8,308,000, and cash flow from operations increased 29 per cent to $24,165,000 in 1968 from $18,672,000 in 1967.

Consolidated sales and operating revenues for 1968 totaled $153,663,000, a gain of 70 per cent over the $90,197,000 recorded for 1967. The increase in sales resulted largely from the acquisition of the assets of The Frontier Refining Company.

The 1968 net earnings included an extraordinary credit of $2,123,000 from the sale of phosphate leases, and the same source provided $708,000 in the 1967 net earnings. This completed the disposal of our entire interests in these properties. Earnings in 1968, before the application of the special credit, were $8,296,000 compared with $7,600,000 in 1967.

The 1968 earnings per share on the average number of common shares outstanding were $1.11 after provision for dividends on preferred shares. This included 24 cents per share from the sale of phosphate leases. The per share earnings in 1968 increased 10 per cent over the $1.01 of 1967 earned on a lesser number of shares. The 1967 per share earnings included 11 cents from the sale of phosphate leases.

The net earnings were affected by a number of conditions. The reorganization effort required following the acquisition of Frontier resulted in substantial increases in overhead. The reorganization is now virtually completed and will result in savings in future years. The delay in the acquisition of Frontier from late 1967 to February 15, 1968, and the consequent delay in reorganization, resulted in operating performance considerably below what had been initially expected.

The earnings picture also was complicated by the reduction in volume of Canadian crude permitted to enter the United States in the fourth quarter, resulting in lower deliveries of Lloydminster blend.

Other factors reflected in the earnings picture were, lower prices for Lloydminster blend in order to accomplish additional market penetration, increases in crude costs to refinery runs in the United States, unfavorable weather conditions which reduced asphalt sales, and Husky's decision to start depletion of Santa Barbara lease costs.

CASH GROWTH EXPENDITURES

	(thousands of dollars)	
	1968	**1967**
Exploration	19,246	6,808
Development and acquisition of producing properties and pipeline facilities	7,465	12,971
Refining, marketing and manufacturing	6,413	6,597
Drilling equipment	1,141	10,829
Investments and acquisition of interest in subsidiaries	3,379	2,606
	$36,103	$39,811

The main sources of funds in 1968 were cash flow from operations of $24,165,000, an issue of common shares netting $20-million after the cost of issue, and $3.9-million from the sale of assets. Net new long term debt amounted to $1.3-million, but this figure does not include $15-million in long-term debt of Frontier Refining assumed by Husky. Capital growth expenditures for 1968, totalling $36-million, included $16-million for exploration outside the Lloydminster area. This was unusually large because of Santa Barbara Channel costs amounting to $9-million for lease bonuses and exploration work during the year. Because of the results from this exploration to date, a program of transferring the Santa Barbara Channel lease costs into depletable costs over the five-year term of the leases has been instituted. Twenty per cent of the cost thus has been added to our cost base for depletion purposes in 1968. Interest on the lease bonuses was capitalized in 1968, but will be charged to earnings in 1969.

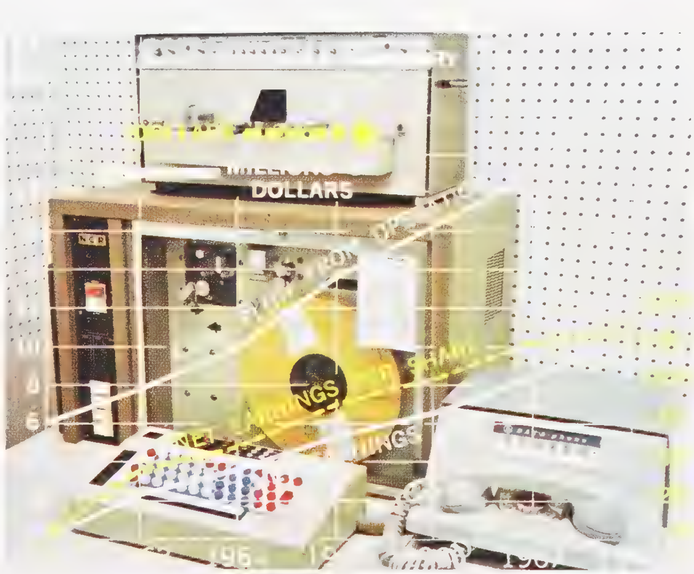
Cash on hand, cash generation and arranged bank loans are sufficient to carry out the company's 1969 budgeted work programs. There are no immediate plans for public financing.

Shares outstanding at the end of 1968 increased by 2,845,434 shares as a result of issues for the following purposes:

Frontier acquisition	740,392
Public offering	800,000
Conversion of preferred shares	997,755
Blackline acquisition	86,337
Exercise of warrants, employee share options and other purposes	220,950
Total	2,845,434
Total shares outstanding December 31, 1967	6,544,610
Total shares outstanding, December 31, 1968	9,390,044
Average number of shares outstanding during 1968	8,722,959

Part of the shares were issued under existing rights to shares. The potential dilution on December 31, 1967, arising from rights to acquire common shares by exercise of warrants, employee share options and conversion of preferred shares was 1,496,722 common shares, 23 per cent of the shares then outstanding.

Exercise and conversion in 1968 reduced the potential dilution to 6 per cent of shares outstanding at the end of the year without taking into account cash proceeds on issuance.



HUSKY

CONSOLIDATED BALANCE SHEET

ASSETS	1968	1967
CURRENT ASSETS		
Cash and short term deposits	$ 13,678,895	$ 10,500,069
Marketable securities - at cost which approximates market	26,909	81,777
Accounts and notes receivable	24,602,814	13,360,419
Inventories at lower of cost or replacement market	21,572,452	13,127,627
Prepaid expenses	372,264	433,338
Total current assets	60,253,334	37,503,230
NON-CURRENT ASSETS		
Notes and contracts receivable, less amounts due within one year included in current assets above (including $1,919,000 in 1968 and $1,519,000 in 1967 receivable from directors and officers Note 5)	6,546,921	4,347,145
Investment in non-subsidiary company, at cost	2,801,601	2,801,601
Sundry investments and miscellaneous assets - at cost less amounts written off	3,035,014	1,703,851
	12,383,536	8,852,597
PROPERTY, PLANT AND EQUIPMENT - at cost (Note 2)		
Oil and gas properties and equipment	131,856,215	108,731,014
Refining, manufacturing, marketing, transportation facilities and other assets (including land of $10,029,824)	96,430,588	65,783,367
Drilling rigs and equipment	21,525,046	20,049,419
	249,811,849	194,563,800
Less - accumulated depreciation	48,921,854	42,490,146
- accumulated depletion	17,312,351	14,645,387
	66,234,205	57,135,533
	183,577,644	137,428,267
Less unpaid production payments	12,261,876	13,026,171
	171,315,768	124,402,096
OTHER ASSETS - at cost less amounts written off		
Debt discount and expense	2,645,156	1,599,233
Trademarks	598,875	590,001
Other intangible assets	5,076,004	3,933,734
	8,320,035	6,122,968
	$252,272,673	$176,880,891

Approved on behalf of the Board:

GENE E. ROARK, Director

ARNOLD LARSEN, Director

DECEMBER 31, 1968

(with comparative figures at December 31, 1967)

LIABILITIES	1968	1967
CURRENT LIABILITIES		
Notes payable to banks	$ 2,323,500	$ 2,688,500
Accounts payable and accrued expenses	19,495,129	12,211,736
Dividends payable on preferred shares	49,430	264,426
Current portion of long term debt	15,484,033	7,266,401
Total current liabilities	37,352,092	22,431,063
DEFERRED CREDITS (Note 3)	2,950,308	118,690
LONG TERM DEBT (Note 4)	91,718,321	74,006,607
NOTE PAYABLE	—	2,250,000
CAPITAL AND SURPLUS		
Minority shareholders of consolidated subsidiary companies		
Preferred shares (Note 5)	6,640,200	6,534,400
Common shares	1,638	174,825
Surplus	788,694	522,589
Total minority interest	7,430,532	7,231,814
Shareholders of Parent Company (Note 5)		
Cumulative, redeemable, preferred shares par value $50 each; Authorized 1,000,000 shares;		
Series A, 6%, Issued 63,241 shares; 1967, 65,068 shares	3,162,050	3,253,400
Series B, 6%, Issued 176,600 shares; 1967, 182,450 shares	8,830,000	9,122,500
Series C, Convertible, 5¾%, Issued nil shares; 1967, 300,000 shares	—	15,000,000
Series X, Y and Z, Convertible, 4%, Issued 8,000 shares	400,000	—
Common shares, par value $1 each; Authorized 15,000,000 shares; Issued 9,390,044 shares; 1967, 6,544,610 shares	9,390,044	6,544,610
Subscribed for and allotted but unissued - 1967, 100,000 shares at $15.19 per share	—	1,519,000
Undistributable capital surplus arising from purchase and redemption of preferred shares	1,576,100	1,192,250
Other paid in capital	68,445,666	19,769,796
Retained earnings	21,017,560	14,441,161
Total capital and surplus of parent company shareholders	112,821,420	70,842,717
Total capital and surplus, including minority interest	120,251,952	78,074,531
Commitments and Contingencies (Note 6)		
	$252,272,673	$176,880,891

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

	1968	1967
INCOME		
Sales and operating revenues	$153,662,951	$ 90,196,953
DEDUCTIONS		
Cost of sales and operating expenses	108,290,863	57,886,958
Selling, general and administrative expenses	14,819,661	9,513,719
Interest (net of interest income of $876,489 in 1968 and $1,260,755 in 1967 (Notes 2 and 4)	6,981,104	4,486,434
Miscellaneous - net	(307,850)	(156,909)
Depreciation and amortization	8,966,975	5,660,182
Depletion (Note 2)	5,791,077	4,487,800
Foreign exploration costs	45,734	101,683
Minority interest in earnings of subsidiaries:		
Preferred share dividends	432,325	431,354
Profits	347,773	185,333
	145,367,662	82,596,554
Net earnings before extraordinary credit (per share: 1968 - $0.87; 1967 - $0.90)	8,295,289	7,600,399
Gain on sale of interest in phosphate leases (per share: 1968 - $0.24; 1967 - $0.11)	2,123,330	707,777
NET EARNINGS (per share: 1968 - $1.11; 1967 - $1.01) (Notes 2 and 7)	$ 10,418,619	$ 8,308,176

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

	Other Paid in Capital		Retained Earnings	
	1968	1967	1968	1967
Balance at beginning of year (from January 1, 1963 for Retained Earnings)	$19,769,796	$18,881,614	$14,441,161	$10,103,187
Add:				
Excess of consideration received over par value of common shares issued (Note 5)	47,475,870	902,674	—	—
Net earnings for the year	—	—	10,418,619	8,308,176
Value of 240,000 stock purchase warrants attached to Series "B" debentures issued in 1967	1,200,000	—	—	—
	68,445,666	19,784,288	24,859,780	18,411,363
Deduct:				
Cash dividends on preferred shares	—	—	739,503	1,616,185
Cash dividends on common shares	—	—	2,683,242	1,934,542
Provision for redemption of preferred shares	—	—	419,475	419,475
Other items	—	14,492	—	—
	—	14,492	3,842,220	3,970,202
Balance at end of year	$68,445,666	$19,769,796	$21,017,560	$14,441,161

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

	1968	1967
Funds were obtained from:		
Net earnings including extraordinary credit	$ 10,418,619	$ 8,308,176
Add non-cash items - net	13,746,638	10,363,608
Net cash income from operations	24,165,257	18,671,784
Increase in long term debt - net of retirements of $20,190,975 in 1968 and $9,348,477 in 1967	1,304,427	20,266,565
Issue of preferred shares	1,018,000	195,000
Issue of common shares - net of costs of issue	33,802,304	1,015,808
Common shares subscribed for and allotted but not issued	—	1,519,000
Sale of fixed assets	3,868,748	1,619,994
Sale of investments	103,387	47,050
	64,262,123	43,335,201
Funds were used for:		
Additions to property, plant and equipment	34,962,279	37,204,942
Additions to investments and other assets	1,140,740	728,001
Acquisition of interests in subsidiaries	2,238,047	1,877,879
Assets acquired from The Frontier Refining Company net of liabilities assumed	11,280,880	—
Retirement of preferred shares	961,275	837,675
Dividends on shares of parent company		
Preferred	739,503	1,616,185
Common	2,683,242	1,934,542
Dividends to minority shareholders	432,325	431,354
Increase in non-current notes receivable	1,315,344	2,130,848
Other	679,413	284,453
	56,433,048	47,045,879
Increase (decrease) in working capital	$ 7,829,075	$ (3,710,678)

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Husky Oil Ltd. and subsidiaries as of December 31, 1968 and the consolidated statements of earnings, surplus and source and use of funds for the year then ended. Our examination of the financial statements of Husky Oil Ltd. and those subsidiaries of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one subsidiary company.

In our opinion, these financial statements present fairly the financial position of the company and subsidiaries at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 24, 1969

Peat, Marwick, Mitchell & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The consolidated financial statements include all subsidiary companies. The accounts of United States subsidiaries are included at $1.00 U.S. = $1.00 Canadian except for Canada — United States inter-company accounts.

The Company purchased all of the assets and properties of The Frontier Refining Company in February, 1968, in exchange for 740,392 shares of the Company's common stock and the assumption of all the liabilities of Frontier. All of the issued capital of Blackline Asphalt Sales, Inc. and two affiliated companies was purchased in April, 1968 in exchange for 86,337 common shares. The Blackline shares and the net assets of Frontier were contributed to Husky Oil Company at cost and fair value, respectively.

(2) Husky Oil Company acquired in February 1968 approximately 10% in two oil and gas leases off the coast of California for $8,518,000. Since then interest of $491,000 on funds borrowed to finance the purchase has been capitalized. The accumulated costs to December 31, 1968 will be added to the depletable costs in five annual instalments commencing in 1968, subject to change in the event commercial production is established or the leases abandoned during this period. Had total costs been included in depletable costs, the provision for depletion for 1968 would have been increased by $716,000, with a corresponding decrease in reported earnings.

All other costs and expenses of exploring for and developing oil and gas reserves in North America are capitalized and are depleted on composite unit of production methods based on proved developed oil and gas reserves.

The cost of certain oil and gas properties includes the amounts of retained production payments payable solely from production. As these payments are liens against the properties and not a direct liability, the balances are deducted from the property, plant and equipment accounts. Production income dedicated to these payments is included in earnings on a gross basis so as to reflect the gross income and all expenses applicable to the properties. Alternate accounting for these payments (the net method) includes in cost of the properties the purchase price exclusive of these payments and does not include in earnings production income dedicated to the payments. Selection of the gross method has increased (decreased) the following accounts by the amounts shown:

Sales and operating revenues	$1,644,465
Depletion	1,119,360
Interest	625,504
Production taxes	85,004
Net earnings	$ (185,403)

(3) Deferred credits consisted primarily of the remaining principal amount of production payments sold in 1968.

(4) Long term debt (partly secured) at December 31, 1968 consisted of:

	Husky Oil Ltd. and Canadian Subsidiaries (Cdn. $)	Husky Oil Company of Delaware and Subsidiaries (U.S. $)
Sinking Fund Debentures 6%, Series A. Nov. 2, 1984	$16,849,000	$
6¾%, Series B., Feb. 1, 1987	19,701,000	
Term Bank Loans 7% annually, June 30, 1973		10,000,000
7¼% annually, Nov. 13, 1972	2,250,000	
7½% monthly June 1, 1973		3,624,890
Secured Notes and Debentures 5⅜% to 7½%, 1969 to 1975 (1) Includes $6,117,036 payable in U.S. funds of $5,681,283	6,705,503(1)	17,193,271
6¾% Serial First Mortgage Bonds, Feb. 1, 1978		4,065,000
6% Convertible Debentures, Nov. 1, 1969 — convertible into Husky common shares at $30.995 (U.S.) per share		4,669,000
Other secured notes and contracts	149,470	3,364,815
Unsecured notes and contracts (2) Includes $3,007,307 payable in U.K. funds of £1,156,400	3,365,989(2)	4,395,612
Long term lease obligations		10,868,804
	49,020,962	58,181,392
Less amounts due in one year	2,485,255	12,998,778
	46,535,707	$45,182,614
U.S. Subsidiaries	45,182,614	
	$91,718,321	

Interest on long term debt in 1968 was $7,297,731. Certain properties and other assets having an aggregate cost of approximately $112,000,000 are specifically mortgaged or pledged as collateral for production loans and other secured obligations.

(5) In 1968, the authorized common share capital was increased from $10-million to $15-million by the certification of 5-million additional common shares of the par value of $1 each.

During 1968, 2,845,434 common shares were issued, of which 920,950 shares were issued for cash of $21,240,142; 926,729 shares were issued for assets valued at $14,135,778; and 997,755 shares were issued on conversion of Series C preferred shares of $14,945,384.

In 1968, 8,000 Series Z preferred shares were issued to two officers for long term notes of $400,000.

Subsequent to December 31, 1968, 2,400 Series X and 2,400 Series Y shares were issued to two officers for long term notes of $240,000.

The Series A and B preferred shares require annual sinking funds to redeem 2,100 Series A shares at $53.50 per share and 5,850 Series B shares at $52.50 per share.

Subsidiary companies will be required to redeem preferred shares of $558,200 par value in 1969.

Common shares have been reserved for issue as follows:

297,346 shares for Series D stock purchase warrants at exercise prices escalating from $12.50 to $16.50 per share, expiring June 30, 1974.

78,490 shares under a share option plan for officers and employees at prices ranging from $5.00 to $12.94 per share during the years 1969 to 1975. In 1968, options were exercised as to 14,990 shares at prices ranging from $4.10 to $12.94 per share.

45,000 shares for conversion of the Series X, Y and Z convertible preferred shares at $20 per share as to 20,000 shares and $24 per share as to 25,000 shares.

151,283 shares for conversion of the 6% convertible subordinated debentures issued by The Frontier Refining Company, due Nov. 1, 1969 at $30.995 (U.S.) per share.

(6) The Company and its subsidiaries have outstanding commitments or contingencies as follows:

a) Long term lease agreements with fixed annual rentals aggregating $2,900,000 including $1,176,000 for royalty free oil and gas rights in the Lloydminster area.

b) A commitment to purchase additional non-voting shares of a non-subsidiary company for $2,292,000 on January 10, 1969.

c) The guarantee of indebtedness of one pipeline company to a maximum of $2,400,000 and the guarantee of minimum quarterly revenues of up to $187,500 to another pipeline company under a long term throughput agreement.

d) A commitment to guarantee certain term bank loans to a non-affiliated company to be used for the construction of an offshore drilling unit at a cost of approximately $12-million.

e) Contingent liabilities aggregating $2,450,000 as defendant in anti-trust litigation and in a damage claim. In the opinion of Counsel, the liability for damages under these legal actions is not substantial.

(7) For income tax purposes the Company is entitled to claim drilling, exploration and lease acquisition costs and tax depreciation in amounts which may exceed the related depletion and depreciation provisions reflected in its accounts. For 1968 the Company will claim deductions in an amount sufficient to eliminate taxable income. Expenditures remain to be carried forward and applied against future taxable income as follows:

Drilling, exploration and undeveloped lease acquisition costs	$23,000,000
Remaining tax depreciation	$75,000,000

The Company does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs; while this view conforms with general practice in the oil and gas industry and is accepted by accounting authorities in the United States, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the income reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of $3,369,000 ($3,163,000 in 1967) would have been provided and net income for the year would have been reduced accordingly. The accumulated income tax reductions relating to all timing differences in the current and prior years amount to approximately $11,698,000 at December 31, 1968.

(8) Earnings per common share for 1968 are based on the weighted average of shares outstanding in 1968; and for 1967, on the shares outstanding at the end of 1967 plus the 100,000 shares allotted to an officer and director in May, 1967 but not issued until May, 1968.

No material dilution of earnings per share would result if all outstanding options, warrants or conversion privileges were exercised, based on a 6% interest factor.

(9) In 1968, the remuneration paid to or accrued for directors and senior officers was $532,522 of which $37,120 was paid as directors' fees.

HUSKY

FINANCIAL AND OPERATING SUMMARY

FINANCIAL (thousands of dollars)	1968	1967	1966	1965	1964	1963	1962	1961	1960
Gross operating revenues	$153,663	$90,197	$66,943	$53,237	$50,524	$45,979	$40,708	$37,865	$38,271
Costs and operating, selling and general expenses	123,110	67,401	47,463	37,544	38,416	36,881	32,964	31,642	31,755
Interest (net of interest income)	6,981	4,486	3,068	2,101	1,479	1,432	1,348	1,604	1,373
Miscellaneous - net	(308)	(157)	(376)	213	118	(207)	(100)	(540)	66
Depreciation, depletion and amortization	14,758	10,148	9,319	7,318	6,100	5,071	4,305	4,637	4,415
Exploration costs and overhead	46	102	276	107	83	—	1,696	1,230	2,916
Minority interests in earnings of subsidiaries	780	617	680	852	809	569	396	461	(39)
	145,367	82,597	60,430	48,135	47,005	43,746	40,609	39,034	40,486
Net earnings (loss) before special credit	8,296	7,600	6,513	5,102	3,519	2,233	99	(1,169)	(2,215)
Add special credit	2,123	708	—	—	—	—	—	—	—
Net earnings (loss)	$ 10,419	$ 8,308	$ 6,513	$ 5,102	$ 3,519	$ 2,233	$ 99	$ (1,169)	$ (2,215)
Working capital	22,901	15,072	18,783	12,094	19,404	12,578	11,069	11,851	8,924
Long term debt (including deferred credits)	94,669	74,125	52,287	43,830	47,905	36,761	26,136	28,295	29,686
Preferred shares outstanding at par value	12,392	27,376	27,770	13,171	13,568	3,568	3,568	3,568	3,568
Preferred share dividends	740	1,616	1,331	807	514	214	214	214	214
Number of common shares outstanding (in thousands) (average for 1968)	8,723	6,644	6,431	6,244	6,208	6,169	6,123	6,091	5,842
Earnings per common share after preferred dividends	$ 1.11	$ 1.01	$ 0.81	$ 0.69	$ 0.48	$ 0.33	$(0.01)	$(0.21)	$(0.41)

OPERATING									
Production — Daily Average									
Net crude oil and equivalent gas production — barrels	34,299	29,648	25,532	20,181	16,765	12,920	11,088	10,074	9,477
Crude oil and gas liquids production — barrels	30,742	26,197	22,178	17,463	14,312	10,796	9,163	8,697	8,674
Natural gas production — MCF	47,571	45,828	44,518	35,173	32,000	27,998	25,521	18,573	11,435
Refining and Marketing — Daily Average Barrels									
Crude oil processed	45,802	20,248	18,387	16,929	15,789	17,263	17,231	16,396	14,000
Refined product sales	48,662	21,750	19,323	18,295	18,343	19,302	17,293	16,100	15,921

The triple logo of Husky brand identification, signs of service in over 1,600 service station locations in Canada and the United States.

A new credit card, providing customers with convenient charge services at Husky, Frontier and Beeline service stations, will be issued this year.

HUSKY OIL

AR28

FROM: HUSKY OIL
Burton Thompson
Manager
Public Relations
815 Sixth Street S.W.
Calgary, Alberta
Phone:

ADDITIONAL COMMON SHARES AND NEW NAME APPROVED FOR HUSKY

FOR IMMEDIATE RELEASE

Calgary, Alta., May 10 -- Additional common shares and a change in the name of the company were approved today at the annual shareholders' meeting of Husky Oil.

Shareholders approved an increase of 5,000,000 shares of Husky common. The authorized number of common shares has been 10 million.

The name of the company was changed to Husky Oil Ltd. It has been Husky Oil Canada Ltd.

Husky is a fully integrated independent oil company operating about equally in Canada and the United States. United States headquarters are at Cody, Wyo.

Glenn E. Nielson of Cody, chairman of the board of Husky, and Gene E. Roark of Calgary, president, announced that net profits in the first three months of 1968 were $1,605,000, compared with $1,577,000 in the same period of 1967.

(more)

Sales and operating revenues in the first quarter of the year were $28,885,000, compared with $19,017,000 in the same period of 1967. Cost of sales, operating expenses, selling, general and administrative expenses, interest and other deductions were $27,280,000 in the first three months of 1968, compared with $17,440,000 in the similar 1967 period.

Sales, costs and expenses for 1968 include the operations of The Frontier Refining Company, Denver, from Jan. 1, 1968. Husky officially acquired the assets of Frontier, a leading refiner and marketer in the inter-mountain region of the U.S., on Feb. 15.

Nielson and Roark also reported:

- In the first quarter, crude oil and equivalent gas production increased 15 percent by comparison with the same 1967 period, reaching an average of 32,788 barrels per day.

- Consolidated operations of Husky and Frontier resulted in an average refinery throughput of 44,303 barrels per day for the first quarter, 1968. This is a 143 percent increase over the refinery throughput of Husky alone in the first quarter of 1967.

(more)

- Refined product sales also increased because of the consolidation, reaching an average of 34,699 barrels per day in the first 1968 quarter, which was an increase of 141 percent over the average for Husky alone in the similar 1967 period.

The Husky executives reported that first quarter earnings of contract drilling in the Gulf of Mexico and of the steel fabricating subsidiary did not match last year's earnings for the same period. Lower contract prices caused earnings of the Gulf Coast drilling subsidiary to be less, and a Utah-Idaho lag in construction caused a slowdown in sales and earnings of the steel fabricating subsidiary.

Nielson and Roark said that total 1968 earnings contributions of steel fabricating are expected to equal 1967, while those of offshore drilling are expected to exceed those of 1967.

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BT-CAL-51068

AR28

FROM: HUSKY OIL
Burton Thompson
Manager, Public Relations
815 Sixth Street S.W.
Calgary 2, Alberta
(Phone: (403) 267-6307)

HUSKY'S SIX-MONTH SALES AND OPERATING REVENUES

INCREASE OVER COMPARABLE PERIOD IN 1967

For immediate release

Calgary, Alta.--Husky Oil's sales and operating revenues of $70,196,000 in the first six months of 1968 were 66 per cent more than in the comparable period of 1967, according to the company's second quarter report to shareholders.

Net cash income from operations for the half-year was $10,483,000, a gain of 19 per cent from the $8,800,000 in the same period of 1967.

Net earnings in the first six months of 1968 were $4,176,000, equivalent to 46 cents per share on the average number of common shares outstanding in the period. This compared with $3,157,000 in the first six months of 1967, equivalent to 36 cents per share.

The net earnings in the first six months of 1968 included an extraordinary credit of $1,132,000, amounting to 13 cents per share, from the sale of an interest in phosphate leases.

(more)

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(more)

The integrated independent oil company's quarterly report noted that the increase in sales and operating revenues were due largely to the inclusion of results from The Frontier Refining Company. The assets of Denver-based Frontier were acquired officially by Husky last Feb.15.

Refinery volumes increased 141 per cent -- from 17,997 barrels per day in the first half of 1967 to 43,416 barrels in the same period of 1968. Refined product sales climbed 132 per cent, from 17,742 barrels per day in the first half of last year to 41,095 barrels per day in the comparable period this year.

The production of crude oil and equivalent gas in the six months increased 13 per cent over the same period in 1967. Natural gas production was up 10 per cent in the first half of the year compared with the same 1967 period.

Husky and eight other companies are drilling a fourth stratigraphic test well off the shore of California in the Santa Barbara Channel to determine the significance of shows of oil in the third well which was not completed.

A contract has been signed for sale of gas to be produced from the new Quirk Creek field, near Turner Valley in Alberta, in which Husky has a 24 per cent working interest. Four gas wells have been completed and two additional wells are being drilled.

BT-CAL-8-13-68

HUSKY OIL
Canada Ltd.

Quarterly Report To Shareholders

Six Months Ended June 30, 1968

815 Sixth Street S.W. Calgary, Alberta

HUSKY OIL

Canada Ltd

and Subsidiaries

Financial and Operating Summary

For the Six Months Ended June 30, 1968

(with comparative figures for 1967)

FINANCIAL	1968	1967	Increase (Decrease) %
Sales and operating revenues	$70,196,000	$42,188,000	66
Deductions			
Cost of sales and operating expenses	48,868,000	26,795,000	82
Selling, general and administrative expenses	7,270,000	4,537,000	60
Interest (net of interest income of $272,000 in 1968 and $607,000 in 1967)	3,484,000	2,077,000	68
Miscellaneous—net	188,000	21,000	—
Depreciation	4,395,000	2,878,000	53
Depletion	2,568,000	2,375,000	8
Foreign exploration costs	38,000	32,000	19
Minority interest in earnings of subsidiaries			
Preferred share dividends	215,000	217,000	(1)
Profits	126,000	99,000	27
	67,152,000	39,031,000	72
Net earnings before extraordinary credit	3,044,000	3,157,000	(4)
Gain on sale of interest in phosphate leases	1,132,000	—	—
Net earnings	4,176,000	3,157,000	32
Provision for dividends on parent preferred shares	374,000	812,000	(54)
Earnings for common shares	$ 3,802,000	$ 2,345,000	62
Per common share on average shares outstanding during period			
Net earnings before extraordinary credit	33¢	36¢	(8)
Extraordinary credit	13	—	—
Net earnings	46¢	36¢	28
OPERATING *(Daily Averages)*			
Crude oil and equivalent gas production—bbls.	32,394	28,771	13
Crude oil and gas liquids—bbls.	28,499	25,213	13
Natural gas—mcf	51,904	47,177	10
Lloydminster blend sales—bbls.	14,931	15,172	(2)
Refinery throughput—bbls.	43,416	17,997	141
Refined product sales—bbls.	41,095	17,742	132

(1) Figures are unaudited and accounts of U.S. subsidiaries are included at $1 U.S. $1 Canadian.

(2) Sales, costs and expenses (as well as operating statistics) for 1968 include the results of operations of The Frontier Refining Company from January 1, 1968. The net earnings prior to acquisition of the assets of Frontier on February 15, 1968 have been charged to Miscellaneous.

HUSKY

To the Shareholders

Husky's sales and operating revenues for the first six months of 1968 were $70,196,000—a gain of 66 per cent over the comparable period of 1967. The increase came largely from the inclusion of results from The Frontier Refining Company. The assets of Denver-based Frontier were acquired officially by Husky last February 15. All of the financial and operating figures for the first half of this year include that acquisition from January 1, with appropriate adjustment for net earnings prior to February 15.

Net cash income from operations in the first half of 1968 was $10,483,000, a gain of 19 per cent from the $8,800,000 for the similar period last year.

Net earnings in the first six months of 1968 were $4,176,000, amounting to 46¢ per share on the average number of common shares outstanding in the period, which compared to $3,157,000 in the first six months of 1967, amounting to 36¢ per share. The net earnings in the first six months of 1968 included an extraordinary credit of $1,132,000, amounting to 13¢ per share, from the sale of an interest in phosphate leases. Husky retains a one-third interest in these leases and has the right to sell this interest for $1,050,000.

After provision for dividends of parent preferred shares, earnings for common shares in the half year ended June 30 amounted to $3,802,000 compared with $2,345,000 in the same period of 1967.

(continued on page 4)

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For the Six Month

(with comparati

Funds were obtained from:

Net earnings including extraordinary credi
Add: Non-cash items—net

Net cash income from operations
Increase in long term debt—net of ret
$8,299,000 in 1968 and $3,525,000
Issue of preferred shares
Issue of common shares
Sale of fixed assets
Sale of investments

Funds were used for:

Additions to property, plant and equipme
Additions to investments and other ass
Acquisition of interests in subsidiaries
Assets acquired from The Frontier Refi
net of liabilities assumed
Retirement of preferred shares
Dividends on shares of parent company
Preferred
Common
Dividends to minority shareholders
Increase (decrease) in non-current note
Other

Increase in working capital

OIL

Ltd.

aries

ment of Source
f Funds

led June 30, 1968

ures for 1967)

	1968	1967
	$ 4,176,000	$ 3,157,000
	6,307,000	5,643,000
	10,483,000	8,800,000
ents of 967	16,360,000	17,522,000
	728,000	—
	13,305,000	60,000
	1,599,000	613,000
	74,000	—
	42,549,000	26,995,000
	21,292,000	11,951,000
	886,000	229,000
	2,365,000	1,837,000
Co.,	11,281,000	—
	859,000	724,000
	374,000	812,000
	1,275,000	965,000
	215,000	217,000
eivable	365,000	(97,000)
	404,000	534,000
	39,316,000	17,172,000
	$ 3,233,000	$ 9,823,000

The number of common shares outstanding increased from 6,645,000 on January 1 to 8,547,000 on June 30 because of the acquisition of Frontier and the Blackline Asphalt companies, conversion of a preferred issue and exercise of warrants and options.

Earnings for the Gate City Steel subsidiary were substantially greater in the second quarter than in the comparable period of the previous year but were under 1967 for the six-month period because of lower volume and profit margins experienced in the first quarter.

Fewer operating days and lower contract prices reduced profit margins in the Gulf of Mexico drilling operations in the first six months compared to the same period last year. Some improvement was registered in June and second-half prospects for the industry in this area appear substantially more favorable than in the second half of last year. All of our drilling units are now working on contracts.

Because of adverse weather conditions this year, asphalt shipments in the first six-month period did not compare favorably with last year. Shipments of asphalt in June of 1967 were unusually large due to very favorable weather conditions last year.

Earnings from the briquetting operation showed substantial profit gains resulting from larger volumes of sales and increased distribution. Earnings in the first half of 1968 increased by approximately $450,000 over the same period in 1967.

Sales of Lloydminster blend were down slightly in the first six months. The lower blend sales have resulted in production from the Lloydminster field being less to date than expected earlier. However, sales in July and August are expected to average 30,000 barrels per day compared with 18,000 barrels per day in the same months last year.

Refinery volumes increased 141 per cent —from 17,997 barrels per day in the first half of 1967 to 43,416 barrels in the same period of 1968. Refined product sales climbed 132 per cent, from 17,742 barrels per day in the first half of last year to 41,095 barrels per day in the comparable period this year. The increases were due mainly to the acquisition of the Frontier assets.

The production of crude oil and equivalent gas in the six months increased 13 per cent over the same period in 1967. Natural gas production was up 10 per cent in the first half of this year compared with the same 1967 period.

Shows of oil have been encountered in the third stratigraphic test well drilled in the Santa Barbara Channel, off the shore of California. This well was not completed and a fourth stratigraphic test well is being drilled to determine the significance of these shows. Early in 1968, Husky joined a bidding group of eight other companies in acquiring two United States government leases of 5,760 acres each in the Channel. The first two stratigraphic wells on the same lease were abandoned.

A contract has been signed for sale of gas to be produced from the new Quirk Creek field near Turner Valley in Alberta in which Husky has a 24 per cent working interest. Four gas wells have been completed and two additional wells are being drilled. Construction of a gasoline and sulphur extraction plant and other facilities is anticipated to be completed in time for delivery of gas in early 1970.

The sale by the company of 800,000 of its common shares as a result of a public offering in the United States was closed on August 1. The sale price was $25.125 (U.S.) per share. After deducting selling commission,

the proceeds were approximately $20,300,000 in Canadian funds.

R. M. McManis, who had been vice president and manager of light oil sales, was appointed in July to be manager of marketing for all products and continues as a vice president. Light oil marketing has been organized in two regions, the Northern headquartered at Calgary, Alberta, and the Southern headquartered at Denver.

An application has been made to the Minister of Consumer and Corporate Affairs of Canada for Supplementary Letters Patent to change the name of the company to Husky Oil Ltd., and is expected to become effective about September 3. The change, approved at the Special General Meeting of shareholders in May, is intended to foster greater public identification of the Canadian and United States Husky companies as a single operating unit.

Sincerely,

Gene E. Roark, President.

August 14th, 1968

HUSKY

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